

# GENERAL GOVERNMENT

## Department of Industrial Relations

The primary functions of the Department of Industrial Relations (DIR) are to protect the workforce, improve working conditions, and advance opportunities for profitable employment. The 2003-04 Governor's Budget proposes \$244.5 million and 2,533 personnel years for DIR.

**AB 749 Implementation**—The Governor's Budget includes \$9.2 million and 68 personnel years for DIR to implement Chapter 6, Statutes of 2002 (AB 749). Chapter 6 enacted cost-saving reforms for employers and increased benefits to injured workers. Specific augmentations include:

- ◆ An increase of \$8 million and 64 personnel years to the Division of Workers' Compensation and Managed Care Program. This funding will support a medical review unit, additional judge teams, increased audit requirements, and studies related to workers' compensation issues.

- ◆ An increase of \$1.2 million and four personnel years for the Commission on Health and Safety and Workers' Compensation. This augmentation will be used to develop an occupational safety and health training education program and to complete studies on workers' compensation issues.

**User Funding of Workers' Compensation Program**—The Governor's Budget reflects the full-year impact of the Administration's December 2002 proposal to provide for 100 percent user funding of the workers' compensation programs in DIR, including the Division of Workers' Compensation, the Commission on Health and Safety and Workers' Compensation, the Workers' Compensation Appeals Board, and the Industrial Medical Council. This fund shift generates \$73.7 million General Fund savings in 2003-04. This amount has been amended since the release of the Mid-Year Spending Reduction Proposals.

**Uninsured Employers' Program Administration**—The Governor's Budget proposes to transfer responsibility for claims payments and administration of the Uninsured Employers Program from DIR to the State



Compensation Insurance Fund (SCIF) in 2003-04. DIR will reimburse SCIF for its administrative costs, and all claims will be paid by SCIF from the Uninsured Employers Fund (UEF). The Administration also proposes a new revenue source to the UEF to offset the elimination of General Fund support.

## Employment Development Department

The Employment Development Department (EDD) administers the Unemployment Insurance and Disability Insurance programs and collects personal income tax from employers. In addition, it administers a variety of labor exchange and job training programs, including the Job Services and Workforce Investment Act programs.

The Governor's Budget includes \$10.6 billion (\$21.6 million General Fund) and 10,920 personnel years for EDD programs.

**Trade Adjustment Assistance**—The Governor's Budget includes \$17 million and 27 personnel years to provide training and other types of assistance to workers who have become unemployed due to the relocation of production to other countries. This increased funding level reflects the consolidation of grants formerly provided pursuant to the North American Free Trade Agreement with those provided under the newly reauthorized federal Trade Adjustment Assistance program.

## Franchise Tax Board

The Franchise Tax Board (Board) administers the personal income tax, corporation tax, and several non-tax collections and audit programs, which together contribute over 61 percent of General Fund revenue. The Governor's Budget proposes total expenditures of \$445.2 million and 5,466 personnel years to support the Board.

**Tax Processing**—The number of electronically filed returns has grown from 1.3 million returns (or 10 percent of total returns) in 1998-99 to approximately 3.6 million returns (or 23 percent of total returns). The Governor's Budget provides additional electronic-file savings by proposing that tax practitioners who prepare 100 or more tax returns file their clients' returns electronically. This measure will result in savings of \$1.4 million and 50.5 personnel years in 2003-04.

**Child Support Enforcement**—Chapter 479, Statutes of 1999, requires the Board to develop a single, statewide automated child support collection system to track child support cases, collect payments from delinquent parents, and disseminate payments to the appropriate family. This is the California Child Support Automation System (CCSAS). A vendor for the CCSAS project will be chosen during 2003, and work on the development of this system will begin. The first phase of this major project is expected to be completed in 2005-06.



## Board of Equalization

The Board of Equalization (Board) administers 21 tax programs, including the sales and use tax and the motor vehicle fuel tax. These programs generate approximately 33 percent of total State revenues. The Governor's Budget proposes total expenditures of \$321.4 million and 3,552 personnel years for the Board.

**Cigarette and Tobacco Tax Evasion**—The Budget proposes to continue addressing cigarette and tobacco tax evasion, which has steadily increased since the passage of Proposition 10 in 1998. Chapter 881, Statutes of 2002, requires the Board of Equalization to replace the current method of affixing cigarette stamps with a “smart” stamp using encrypted digital technology as of January 1, 2005. Upon implementation in 2005-06, the Board indicates the smart stamp will generate additional tobacco tax revenues of approximately \$26 million.

## Department of General Services

The Department of General Services (DGS) is responsible for management review, control, and support of State agencies as directed by the Governor and specified in statute. The Department provides support services to operating departments to achieve greater efficiency and economy than they can individually achieve. The Governor's Budget proposes \$837.1 million and 3,932 personnel years for the Department.

### Enhanced Emergency Telephone

**Services**—The Governor's Budget proposes \$142.4 million for Emergency Telephone Services, including \$42.3 million State Emergency Telephone Number Account to reimburse local service providers for Public Safety Answering Point equipment and network and database costs associated with the continued implementation and maintenance of enhanced wireless service for subscribers in California. This funding represents the third year of implementation for this program, which will result in the ability to provide the same emergency telephone services to wireless customers as those provided to landline customers, including Automated Number Identification and Automated Location Identification.

**Rate Reduction Goal**—The Governor's Budget includes a reduction of approximately \$22.5 million from various funds to reduce operating expenses, indirect support positions, excess overhead costs and expenditure authority, and out-of-state travel expenditures. The reductions to operating expenses and equipment, out-of-state travel, and departmental overhead expenses will reduce rates required to be charged by each of the department's offices, divisions, and programs. In addition to this \$22.5 million reduction, DGS has made a commitment to analyze its existing rate structures, identify potential departmental efficiencies, and propose a plan to reduce rates by up to five percent for fiscal year 2003-04.

**Asset Planning and Enhancement**—The Governor's Budget includes \$250,000 Property Acquisition Law Money Account to fund consultant services to assist in the marketing and sale of two properties in



Southern California. The combined sale of these properties is estimated to generate up to \$10 million in additional General Fund revenue in 2003-04.

## Department of Food and Agriculture

The Department of Food and Agriculture (DFA) is responsible for protecting and promoting California's agriculture, providing leadership in the development of agricultural policy, and enforcing weights and measures standards in commerce. The DFA's activities include prevention and eradication of harmful plant and animal pests and disease, marketing and export assistance to the agriculture industry, and assistance to county agricultural commissioners and local fairs. The Governor's Budget proposes \$269 million (\$86.6 million General Fund and \$182.4 million in other funds) and 1,849 personnel years for the Department.

**Specialty Crop Support Program**—The Governor's Budget includes \$22.9 million in federal funds in 2003-04 to continue funding for market promotion and development programs. Other proposed uses of these funds include agricultural research, pest management, and competitive grants in areas such as food safety, consumer education, and nutrition.

**Mediterranean Fruit Fly Preventative Release Program**—The Governor's Budget continues \$8.9 million General Fund and 137 personnel years to reduce the growing threat to California from invasive pests. This

funding supports the Mediterranean Fruit Fly Preventative Release Program and related public outreach activities.

**Hydrilla Eradication**—The Governor's Budget includes an augmentation of \$1.2 million in special funds for eradication efforts associated with the noxious water weed, hydrilla.

**Detection and Trapping**—The Governor's Budget includes an augmentation of \$3.4 million federal funds to bolster state-wide trapping and detection programs associated with containment and eradication of various fruit flies and pests, including the Mexican fruit fly, the Japanese Beetle, and other harmful insects negatively affecting California's agriculture.

In addition, the following reductions are proposed:

**Buy California**—A savings of \$1.5 million General Fund. Marketing activities would be continued with the support of available federal funding.

**Pest Control**—A reduction of \$1.5 million and 15 personnel years in Weed & Vertebrate and Bio-Control Programs commensurate with internal streamlining of these activities.

**Agricultural Inspection Stations**—A reduction of approximately \$1.4 million and 34 personnel years for Agricultural Inspection Stations. This adjustment would prioritize future inspections on commercial traffic and agricultural shipping.



## Military Department

The Military Department is responsible for the command, leadership, and management of the California Army and Air National Guard, whose purpose is to provide military service support to California, as well as the nation. These services are provided through 118 armories, 10 air bases, and 3 army bases located throughout California. The Governor's Budget proposes \$88 million and 698 personnel years for the Department. The Department also receives an additional \$555 million in federal funds that are not deposited in the state treasury.

**Army National Guard**—The Governor's Budget includes \$790,000 from the Federal Trust Fund and six personnel years for additional Environmental Program staffing. This funding will allow the Department to maintain compliance with all environmental laws and regulations in military activities, such as obtaining permits and authorizations from regulatory agencies, preparing required environmental impact documentation, conducting inspections of facilities, as well as providing environmental training of employees and contractors.

## Department of Veterans Affairs

The Department of Veterans Affairs is responsible for providing services to California veterans and their dependents. The Department administers the Cal-Vet Farm and Home Purchase Program, assists veterans in obtaining State and federal benefits to which they are entitled, and operates veterans homes in Yountville,

Barstow, and Chula Vista. The Governor's Budget includes \$328.2 million and 1,771 personnel years to support the Department's various programs.

**Examination of Revenue and Expenditure Issues**—Preliminary cash flow data received from the Department indicate that the Department is experiencing difficulties collecting the budgeted levels of Medi-Cal and Medicare reimbursements in the current year, which could result in a cash shortfall that would potentially lead to requests for a loan from the General Fund and/or deficiency funding. A comprehensive review of the Department's revenues and expenditures will be conducted to refine its estimates, determine the extent to which outstanding General Fund loans from previous years will be repaid in the current year, and examine the Department's current reimbursement structure to determine whether adjustments are necessary. The Administration plans to address these issues during the Spring budget process.

**Member Fees**—The Governor's Budget proposes to restore member fees in the residential care units of the veterans homes to the levels that existed prior to a fee reduction included in the 2001 Budget Act. This would result in a \$1.15 million decrease in General Fund funding provided to the Department and a corresponding increase in reimbursements.



## Office of Emergency Services

In time of major emergency or disaster in California, the Office of Emergency Services (OES) coordinates emergency response activities to save lives, reduce property loss, and expedite recovery. The Governor's Budget proposes \$652 million (\$51 million General Fund, \$595 million federal funds, and \$6 million other funds) and 444 personnel years for OES.

In response to the current fiscal condition of the State, the following reductions are proposed:

**California Integrated Seismic Network—**\$580,000 for the support for the California Integrated Seismic Network.

**Plans and Preparedness Division—**\$400,000 and 10 personnel years, including reductions to the California Specialized Training Institute, elimination of the Earthquake Campaign, and elimination of the Dam Safety Program.

**Local Assistance—**\$5 million for disaster assistance claims.

**Reductions to Regional Offices—**A savings of \$1.7 million and 40 personnel years due to the reduction of \$1.1 million and 30 personnel years in the Pasadena Disaster Assistance Office and \$600,000 and 10 personnel years in the Coastal Region Office.

**Administration and Executive Division—**\$350,000 and 9 personnel years commensurate with reductions to other programs in OES.

## California Victim Compensation and Government Claims Board

The Victim Compensation and Government Claims Board (Board) compensates victims of violent crime and eligible family members for certain crime-related financial costs, considers civil claims against the State, and protects the public against improper acts of State agencies. The Governor's Budget proposes \$180.4 million and 325 personnel years for the Board.

**Victim Compensation Program Claims Payments—**The Governor's Budget includes \$199.1 million (\$144.2 million Restitution Fund and \$54.9 million Federal Trust Fund) in the current year and \$171.2 million (\$117.8 million Restitution Fund and \$53.4 million Federal Trust Fund) in 2003-04 to fund the cost of medical and dental expenses, mental health counseling expenses, and prescription medication expenses for victims of violent crimes.

In order to bring Restitution Fund expenditures in line with revenues, the Board has taken a number of administrative actions, and has proposed legislation aimed at containing costs and increasing revenues. These measures are expected to allow the Board to continue to provide a high level of service to crime victims while eliminating unnecessary administrative expenditures.

**Claims Processing System—**The Governor's Budget includes an augmentation of \$430,000 Federal Trust Fund in 2003-04 for the continued modernization of





the Victim Compensation Program's computerized claims processing system. This project was started in 2002-03 with federal funds, and is expected to increase the efficiency of the Board related to processing victim compensation claims.

---

## **Local Mandate Funding (Non-Education Issues)**

Article XIII B, Section 6 of the California Constitution requires the State to provide a subvention of funds to reimburse local governments for the costs of increased levels of service whenever the Legislature or any State agency mandates a new program or higher level of service on any local government entity, unless specified exemptions apply.

The 2002 Budget Act deferred payment for non-Proposition 98 mandate obligations from prior years as well as the 2002-03 costs of those mandates. The 2003-04 Governor's Budget proposes to continue the deferral of mandates payments, preserving the obligation of local governments to provide the mandated activities as well as the obligation of the State to reimburse those entities in the future, with interest.

The estimated deferred obligation in 2003-04 for non-education mandates (including the amounts deferred in 2002-03) is approximately \$769 million.



